

# FISCAL NOTE WORKSHEET (Revised Nov. 2006)

Agency: Utah State Office of Education  
Daniel Schoenfeld  
 Requested By

Bill Number HB151

Office of the Legislative Fiscal Analyst  
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Fax/Electronic Mail Transmittal

Date:	<u>January 30, 2007</u>
Name:	<u>Daniel Schoenfeld</u>
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Please return to Fiscal Analyst by: January 30, 2007

**TITLE OF BILL:** MINIMUM BASIC LEVY AND OTHER PROPERTY TAX AMENDMENTS

This Bill Takes Effect: ☐ On Passage ☐ On July 1 ☐ 60 Days after session ☒ Other 1/1/2008

Bill Carries Own Appropriation: ☐

## FISCAL IMPACT OF PROPOSED LEGISLATION

A. Revenue Impact by Source of Funds:	First Year (FY08-09)	Second Year (FY09-10)
1. General Fund		
2. Uniform School Fund - Free Revenue		
3. Transportation Fund		
4. Collections		
5. Other Funds (List Below)		
Local Property Tax from the Basic Levy	(\$258,026,590)	(\$270,798,340)
6 Local Funds		
7. TOTAL	(\$258,026,600)	(\$270,798,300)

B. Expenditure Impact by Source of Funds:		
1. General Funds		
2. Uniform School Fund - Free Revenue	\$258,026,590	\$270,798,340
3. Transportation Fund		
4. Collections		
5. Other Funds (List Below)		
6 Local Funds		
7. TOTAL	\$258,026,600	\$270,798,300

C. Expenditure Impact Summary:		
1. Salaries, Wages and Benefits		
2. Travel		
3. Current Expenses		
4. Capital Outlay		
5. Other (Specify) <u>Minimum School Program (K-12)</u>	\$258,026,590	\$270,798,340
6. TOTAL	\$258,026,600	\$270,798,300

### D. Impact in Future Years?

*If no fiscal impact in first two years, indicate if there will be any impact in future years, and explain. Also, indicate any significant changes in fiscal impact beyond the first two years. (Use back side, if necessary.) There will be an increase every year as the amount generated for the basic rate increases each year by the amount of new growth.*

<u>Cathy Dudley</u>	<u>MSP Budget and Property Tax Specialist</u>	<u>538-7667</u>	<u>January 30, 2007</u>
Prepared By	Title	Agency USOE Phone No.	Date

**E. Identify Sections of the Bill That Will Generate the Additional Workload or Cost Increase**

Line 1244 which repeals UCA 53A-17a-135 and eliminates the basic tax rate should increase the appropriation from the Uniform School Fund to the school districts. Lines 1177-1192 will generate a cost increase for those school districts that want to increase their certified tax rate above the total certified tax rate. Because of the timing of this bill, school districts will have to participate in the special election in June, 2008. Those costs could range anywhere from \$10,000 to \$25,000 depending on the school district.

**F. Expenditure Impact Details (Ties to totals in Section C)**

*In order for school districts to qualify for state contribution toward the basic program, the school districts shall impose a minimum basic tax rate per dollar of taxable value that generates \$245,254,840 locally for FY07-08. That dollar amount is increased each year by the dollar amount of new growth. For FY07-08, the new growth is \$12,771,750. Using that same new growth figure, the amount of contributions for FY08-09 would be \$258,026,590. Applying that same growth figure to FY09-10, the amount of contributions would be \$270,798,340. By eliminating the basic tax rate and to keep school districts whole, the school districts would need to be appropriated the same amount of funds that the basic tax rate would have generated through income tax funds (Uniform School Funds). If the income tax proceeds are not sufficient enough to cover that appropriation, the funds would have to come from somewhere else.*

*Eliminating the basic rate would activate the tax increment financing yield hold harmless provisions of the "Limited Purpose Local Government Entities -- Community Development and Renewal Agencies" act thereby reducing the tax increment financing base year values for each project so that the same amount of tax increment is yielded to the redevelopment projects. This would disproportionately increase all property taxes in jurisdictions that have tax increment in place, thereby exacerbating the disequalized property tax burden in jurisdictions with no tax increment financing and jurisdictions with significant tax increment financing.*

**G. No Fiscal Impact or Will Not Require Additional Appropriations?**

*Specify why this bill will have no fiscal impact on your agency or institution.*

*Specify how you will reallocate workloads, resources, or funding sources to eliminate need for additional appropriations. (USE ATTACHMENTS IF NECESSARY.)*

*N/A*

**H. If Bill Carries It's Own Appropriation:**

*Indicate if the amount appropriated is adequate to meet the purposes of the bill.*

*Are there future additional costs anticipated beyond the appropriation in the bill? **No money is appropriated.***

**I. Impact on Local Governments, Businesses, Associations, and Individuals**

Local School Districts/Charter Schools : *Eliminating the basic tax rate would reduce the amount of revenue available to fund public schools unless an additional appropriation was made from state income tax to the Uniform School Fund. Income tax streams fluctuate. Property tax is a much more stable source of revenue. In addition, revenue from age-based property fees on motor vehicles is distributed to taxing entities on the basis of their proportional share of property tax collections. If the basic rate was eliminated, public education would generate a smaller share of property tax collections and will, therefore, generate less revenue from age-based fees. Elimination of the basic tax rate would hamper USOE's ability to make up shortfalls in the Minimum School Program. If income from the basic rate is underestimated, the State Superintendent can use the excess to make up any shortfalls elsewhere in the Minimum School Program caused by underestimating weighted pupil units.*

Businesses and Associations : *There would be a reduction in the property tax collection (\$258,026,600 in FY08-09 and \$270,798,340 in FY09-10) that a business would receive with a potential increase in their income taxes.*

Individuals : *In those school districts' jurisdictions where there are a higher percentage of property owners living out of state, there would be a shift in tax burden from out-of-state individuals to in-state individuals via the income tax.*

Narrative Description of Bill : *This bill repeals the requirement that a school district impose a minimum basic levy before it may participate in the Minimum School Program. The bill also provides that a taxing entity levying a property tax rate in excess of the certified tax rate during the 2008 calendar year must obtain voter approval before imposing the tax rate.*